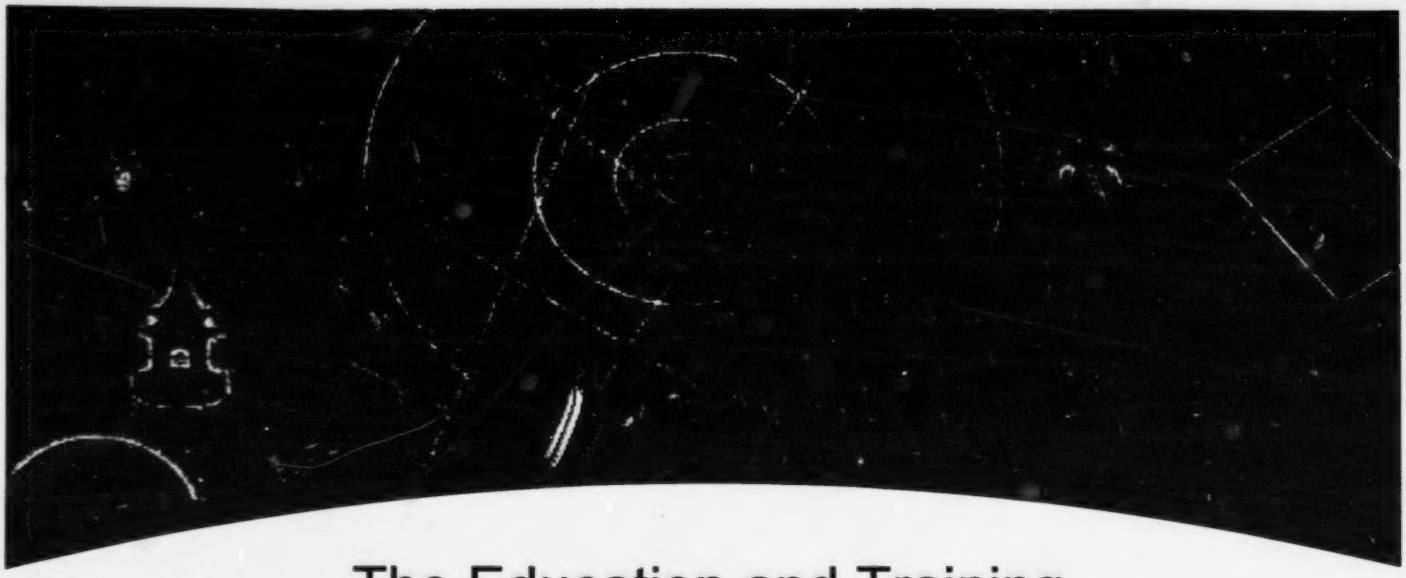

The Education and Training Market in China

February 2001

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The Education and Training Market in China

February 2001

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THE EDUCATION AND TRAINING MARKET IN CHINA

Team Canada Inc • Équipe Canada inc

EXECUTIVE SUMMARY

The Chinese education system has undergone considerable reforms to meet the enormous demand for skilled labourers and technicians since the emergence of the market economy in 1978. Despite the Chinese government's attempts to remedy the congested school infrastructure and outdated teaching tools and methods, the demand for quality education for the entire student population of 300 million cannot be met. In fact, the demand for higher education alone will exceed five million students in 2000.

The Chinese government has initiated several policies and projects to enhance the use of educational technologies in basic schooling, vocational training and continuing education across China. Planned projects include the development and import of vocational education software, the establishment of 50 teacher-training centres via distance education, and the introduction of compulsory information technology (IT) courses in all primary and secondary schools by 2005. The Chinese government is also seeking foreign partners to collaborate in the development of distance education materials such as resource networks and courseware.

Canadian companies and institutions interested in entering the Chinese education and training market should be cautious. Regulatory constraints, lack of transparency and unfamiliar government procedures and policies can make it difficult for foreign companies to obtain regulatory approval, certification for certain products or to receive necessary licences. Moreover, the Chinese market must be viewed as a number of large markets with unique characteristics and opportunities, as requirements vary from one part of the country to another.

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THE EDUCATION AND TRAINING MARKET IN CHINA

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MARKET OVERVIEW

Education has traditionally been a driving force in shaping China's culture and society. In modern China, education is considered a means to achieving challenging employment, financial stability and status. Over the past two decades of economic reforms, education has been instrumental in achieving and sustaining growth targets. The Chinese government places education first among all development priorities and has introduced several legal and policy changes to improve the education system. Government policies and funding are focussed on developing and implementing programs for distance education, teacher training, vocational skills upgrading, lifelong learning and technology in schools.

Despite the major advancements in China's educational system, the staggering number of students has placed considerable strain on an already underfunded system. From a population of 1.25 billion, there are approximately 300 million students, from primary students to adult learners. Moreover, despite remarkable economic progress over the past decade, the average per-capita income for urban residents is still less than $1 467[1] and less than $587 for rural inhabitants. Close to 900 million Chinese people live in rural areas.

Investment in China's interior and western provinces has lagged behind that of coastal and southern China. As a result, limited economic growth has affected the development of management capability, infrastructure, and education. In June, 1999, the central government proposed the "The Western Development Strategy" (WDS), promising to bring economic restructuring and investment to all sectors of Western China's economy, including education.[2]

[1] All monetary amounts are expressed in Canadian dollars, unless otherwise indicated. The conversion rate to Canadian dollars is based on IDD Information Services, *Tradeline*, June 2000.

[2] Premier Zhu Rongji and the Statement Development Planning Commission (SDPC) formally launched the WDS in January, 2000. Individual projects were debated during the National People's Congress in March, 2000. Analysts speculate that the detailed blueprint for the strategy will come out in the central government's next five year plan (2001-2005).

The Chinese Education System – A System in Reform

Ever since the introduction of the *Law on Compulsory Education* in 1986, basic education has been a high priority for the Chinese government. This Law, coupled with the 1993 State Education Commission's *Guidelines for the Reform and Development of Education in China* and China's *Ninth Five-Year Plan for Economic and Social Development* (1996-2000) called for the universalization of nine-year compulsory education (grades 1 through 9), with the ultimate goal of eradication of illiteracy for people under the age of 15. However, the success of this major initiative varies according to region and urbanization. The average education level across the board is still approximately 5.6 years of formal schooling.[3]

The government's intentions have proved especially difficult to implement in rural and underdeveloped areas, particularly in Western China, as well as areas with large representations of minorities. Some of the reoccurring problems are:

- Limited financial resources for physical infrastructure, teachers' salaries and school supplies;
- Low quality of instruction resulting from a lack of teacher training and an inability to attract qualified teachers to underdeveloped areas;
- Outdated educational tools, such as the curriculum and textbooks; and
- Excessively high drop-out rates at the primary level, particularly among girls.

The Chinese education system is composed of kindergarten, primary school, junior and senior middle (secondary) school, and institutions of higher education.

Kindergarten

Children between three and six years of age often attend kindergarten. As Kindergarten is not considered a part of compulsory education, the restrictions on joint-venture (JV) schools do not apply. To date, foreign involvement in this area has been selective, primarily because of limited profitability.

Primary Education

Primary education begins at age six or seven and continues for six years. Primary education is administered by the local government, however, local enterprises such as factories are increasingly encouraged to offer financial and managerial support. During

[3] World Bank 1999

the first few years, students study Chinese, mathematics, music and physical education and in later years, nature and society, drawing, and English as a Second Language (ESL).

Secondary Education

Secondary school education begins at age 12 and also continues for six years. Junior middle school (corresponding to grades 7 through 9) is compulsory (the last third of the 9 year compulsory education). Senior middle school (corresponding to grades 10 through 12) is not.

Junior middle school covers a range of topics including Chinese, foreign languages (English being the most prominent; French not being very common), history, politics, physics, and moral development.[4] Of note is the growing number of junior middle vocational schools developing in economically underdeveloped and rural areas.

Of the annual 14.5 million junior middle school graduates, 3.5 million attend academic senior middle schools, 4.2 million attend vocational senior middle schools, and the rest, nearly 7 million or about 45% of the student population, enter the workforce. This fact alone reflects one of the major challenges in the educational system: how to keep students from dropping out at age 15.

Academic schools specialize in humanities and sciences, and cater to students wishing to undertake the National College Entrance Examination (NCEE), required for admission to higher education institutions. Due to the fierce competition for positions in prestigious universities, the choice of senior middle school is often very important.

Vocational senior middle schools provide practical skills training in preparation for entering the workforce or further vocational training at the post-secondary level.

Vocational Schools[5]

Vocational schools emphasize practical skills to prepare students for low- and middle-level technical jobs. Some focus on providing work experience (agricultural schools in rural areas), while others provide technical training in a particular speciality.

The so called Specialized schools are administered by the central ministry responsible for the technical specialization being taught. The curriculum includes studies in political

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[4] Chinese students extensively study Norman Bethune, a Canadian doctor who came to China during the 1940s to assist the Communists in their flight for liberation. In China, Dr. Bethune's name is often synonymous with the good nature of the Canadian people.

[5] "Vocational" and "Technical" are often used interchangeable.

theory, general knowledge and technology, combined with a technical or vocational specialization. Programs offered include primary teaching, engineering, agriculture, finance, medicine and sports.

The number of vocational schools in China has been increasing in response to the demand for a technically competent workforce. In 1998, there were about 17 000 senior vocational schools with a total enrolment of 11.5 million (about 55% of the total enrolment at the senior secondary level of education). Regional education administrations will put more effort into recruiting students for vocational education in the next few years to provide opportunities for students who have failed their college entrance examinations.

Higher Education Institutions

Higher education institutions (HEI) include universities and colleges offering professional training. In order to apply to a HEI, students must pass the national college entrance examination (NCEE) administered by the Ministry of Education every July. Students must select from one of two streams: humanities or science and engineering.

For some time, students have been able to select the institutions to which they wish to apply. Recent reforms now permit students to select the institutions *after* receiving their NCEE results, enabling them to better target universities to which they have realistic prospects of being accepted. However, this has led to some temporary irregularities.[6]

There are three types of higher education institutions in China: comprehensive universities (7%), teacher training universities (23%), and specialized institutions (61%).

In 1998, China had close to 2000 higher education institutions, of which about 1020 catered to regular students and the remainder, to adult or mature students. Higher education at the undergraduate level offers four or five-year programs, as well as special two-year programs. Most institutions also offer graduate programs.

According to Chinese sources, there are about 5.9 million undergraduate students in China. By 2000, colleges and universities across China will admit 3 million students a year. While the figure seems large in absolute terms, this only captures about one fifth of secondary school graduates[7]. Currently, the demand for higher education far exceeds the supply; competition among students for the limited enrolment at higher education institutions is fierce.

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[6] For the 2000-20001 academic year, Beijing University (one of the top universities in China) was under-enrolled, as too many students, believing their NCEE scores too low, chose not to apply.

[7] In G-7 countries, the rate varies between 45% and 65%.

The central government has introduced several reforms to improve the availability and accessibility of higher education, two of the most important being:

- the "marketization" of education, whereby education has become subjected to market forces. The marketization of higher education in China also relieves all levels of government from significant financial burdens; and

- decentralization of financing and administration. Prior to 1978, 96% of the cost of higher education was paid by the state. The current percentage is much lower. As a result, higher education institutions have been forced to generate income from tuition fees, partnerships with industry and the commercialization of scientific research.

Master of Business Administration Programs

Currently, 56 Chinese universities offer master of business administration (MBA) programs. Despite the great demand for these programs, the quality of education is still below Western standards. Courses tend to use traditional, non-interactive teaching methods and the teaching staff lack business experience and international exposure. Skills such as critical analysis, strategic thinking, business judgment and team building have yet to be widely introduced into the Chinese curriculum.

The China Europe International Business School (a joint venture between Shanghai Jiaotong University and the European Foundation for Management Development, with funding from the Shanghai government and the European Union) is the most prestigious MBA school in China. The school offers MBA, Executive MBA and Executive Education programs and has an exchange program with 15 business schools around the globe, including Canada's University of British Columbia and the Richard Ivey School of Business at the University of Western Ontario. In 2000, four Chinese students received scholarships to attend these Canadian institutions. (Visit http://www.ceibs.edu/index.html for more information.)

Several Canadian institutions have set up joint-venture MBA programs with Chinese universities and are reporting satisfactory results.

Teacher Training

A major component of the Chinese government's strategy in education has been the improvement of the quality of its teachers at all levels of the system. In 1995, in an effort to standardize qualifications, the Ministry of Education adopted a nationwide system of teachers' certificates. By 1997, according to Chinese statistics, 93% of elementary school teachers, 85% of the junior middle school teachers and 60% of the senior middle school teachers had obtained the necessary qualifications to teach at their respective levels and were certified. Challenges remain however. The distribution

of qualified primary and secondary school teachers is uneven. It is difficult to persuade well-trained teachers to work and remain in rural and underdeveloped areas because of poor working conditions and low remuneration. Moreover, despite progress, many Chinese are not satisfied with traditional teaching methodologies and are demanding a more Western-style approach. Although technically meeting legal requirements, many teachers' practical skills and techniques are in need of improvement and modernization.

Private Education

Private education in the sense of being completely independent of government funding or sponsor is not widespread in China. There is a growing number of "community supported" collective schools, which receive little or no government funding, set up by a local community to address a specific need. Students who do not possess residency permits for the city in which they live often have no other choice but to attend "private" or so-called "mobile" schools to receive an education.

Privately funded vocational schools, catering in part to students who fail national university entrance examinations, are becoming increasing popular. As well, private ESL training schools are common. Finally, there are also growing numbers of Sino-foreign joint-venture schools, although most are not strictly "private" as they are in some form of partnership with state-run institutions.

Corporate and Group Training

The sizeable influx of foreign companies to China and reforms to state-owned enterprises in the early 1990s created a sudden demand for skilled workers and professionals. One of the most pressing tasks for human resource departments is to provide specific technical and professional training for their employees that will enable them to meet the basic requirements of their new working environments and provide them with an understanding of the new corporate culture.

Some companies have established in-house training departments that provide technical training as well as comprehensive orientation and management development programs aimed at adapting the working environment of the China operation to the Western corporate culture. However, most companies use external trainers for at least part of their training programs. The external training market is still growing, due to the fact that some foreign enterprises are cutting costs by downsizing their internal training programs and outsourcing for their training needs.

Continuing Education/Adult Education

Due to the significant restructuring of the state-owned enterprise sector and persistent rural to urban migration, a large number of workers and farmers need re-employment training and technical training. One half of China's 140 million urban workers are

considered to be technicians, but only 3.5% of them fall within the highly skilled category, while two thirds are low-level labourers.

In addition to regular universities offering continuing education, China has radio and television universities that specialize in this area. Programs range from basic literacy classes to professional accreditation, with practically everything in between.

International Education

International education has traditionally been used as a method to strengthen China's human resources and forge valuable economic and social ties with other countries. International exchange in education has been broadening in the past 20 years. China has established exchange and co-operative relations in education with 154 countries and regions, which have enabled 300 000 Chinese students to study overseas and over 90 000 foreign students to study in China.

China is a significant source of students for Canadian educational institutions. The following table shows the approximate number of student applications received and issued by Citizenship and Immigration Canada from 1997-2000:

Table 1. Number of Chinese Applicants for Study in Canada 1997-2000

	1997	1998	1999	2000[8]
Applications Received	2268	3361	9319	10000
Visa Issued	689	1733	3804	4100

Sino-foreign Joint-venture Schools

Chinese law requires a foreign education provider to partner with a Chinese educational institution in order to provide educational services in China.

The JV model has been attractive to the Chinese for the following reasons:

- JV schools provide quick access to modern curriculum and course materials. Unlike in-house development, partnering with a foreign institution greatly reduces the development time of new course offerings;

- JV schools often supply foreign teaching staffs who train local Chinese teachers to eventually assume teaching responsibilities;

[8] Approximate figures as of August 31, 2000. CIC anticipates receiving between 12 000 to 14 000 applications in 2000.

- As foreign JV partners frequently assume management and administration responsibilities of the JV school, these skills are eventually passed on to the Chinese partner; and

- JV schools are usually better financed which translates into more up-to-date technology and equipment.

There is a common perception in China that an education received at a JV school is of superior quality to that received at an equivalent Chinese institution. There are exceptions, of course (China's top 100 universities are highly regarded), but generally speaking, JV schools appear to enjoy a reputation, particularly among foreign companies, for producing better skilled graduates.

Technology in Education

The use of technology in the delivery of education has made a great leap forward in recent years in China. The most common form of such technology in China is still television and radio. China has extensive experience in providing distance education through television and radio programming.

However, other forms of technology have recently been gaining prominence, specifically individual interactive learning using multimedia computer technology; co-operative learning using networked multimedia classrooms; and Internet-based distance learning.

The Chinese Ministry of Education (MOE) has recently made a determined effort to introduce IT to primary and secondary school classrooms. The MOE is aiming to make IT courses compulsory by September 2001 for Grade 10-12 (Senior High School), by September 2003 for Grade 7-9 (Junior High School), and for all primary schools by September 2005.

In terms of Internet usage, of China's 14 million Internet users (a number that is growing exponentially), some 1.6 million are college students — representing about 35% of the country's college student population. Since March 1, 1999, China Telecom decreased the cost of telephone line rental and Internet browsing. These lower costs will make on-line and other forms of distance education more accessible to a wider spectrum of students.

The main challenge in China's drive to incorporate technology into the classroom is a lack of funding. There may be a tremendous need, but without adequate sources of funding, the need will not necessarily translate well into financially viable commercial opportunities.

Distance Education

Distance education has played a key role in the Chinese education system for many years. By far the most common types of distance education are television and radio programs.

Educational television stations have become commonplace throughout China, having proven to be a cost-effective means of reaching large numbers of students in rural and remote areas. The China Education TV Station (CETV) is probably the most well-known educational television station. Apart from the CETV, there are over 100 educational television channels operating at the national and regional levels in China. Over 100 million people currently receive training or further education through special television channels. Viewers range from parents learning about pre-natal care, farmers who are learning new practical farming skills, to primary and middle school teachers seeking to further their professional education and obtain formal diplomas.

In addition, China has numerous radio and television broadcast universities, with a student enrolment of one million and approximately 13 000 classes. To date, 2.2 million students have graduated from the short-cycle higher education programs provided by the broadcast universities.

The range and accessibility of China's educational television programming have considerably improved the teaching and learning environment of the remote and underdeveloped areas of China. There has also been a marked reduction in disparities in educational access among children in diverse regions and social status.

Broadcasting technology for educational programs continues to evolve from terrestrial to satellite transmission. There are currently three satellites transmitting educational programs received by over 10 000 terrestrial stations.

Distance Education Program Providers

China Education TV Station

The China Education TV Station (CETV) is received by 75% of stations across China. The CETV Distance Education Program, launched in 1998, consists of mainly English-language learning programs targeted to primary and secondary school students, as well as students attending rural vocational skills development programs.

Central Agriculture Radio and Television School

The teaching programs of the Central Agriculture Radio and Television School (CARTS), delivered by the Central People's Radio, the Central Television and the Chinese Education Television, total 23.5 teaching hours on air per week. The school

has developed a complete five-level nationwide system comprising one central school, 38 provincial schools, 327 prefecture schools, 2390 county schools and 23 000 township teaching classes.

As of 1998, CARTS enrolled almost 3.2 million students — 1.3 million of which graduated with a Specialized Secondary School Diploma and 1.9 million were trainees for a Green Certificate — and organized technical training for a total of 25 million people.

CARTS is currently in the process of developing a multimedia CD-ROM teaching system and an IT network delivering system.

Specialized Secondary Television School of the Ministry of Transportation

The Specialized Secondary Television School of the Ministry of Transportation, established in 1985, has 30 000 students enrolled in 64 provincial schools and 310 working stations in 30 provinces, autonomous regions and municipalities. In the past 10 years, it has educated over 30 000 technicians, many of whom are indispensable to their local economy. A modern computerized management system and a teaching centre with advanced filming, editing and producing facilities are available at the school's headquarters. Pilot programs for on-line delivery are operating in some of its provincial schools.

Chinese Accounting Correspondence School

The Chinese Accounting Correspondence School (CACS), founded in 1986, has established provincial schools in 25 provinces, autonomous regions and municipalities, three separate-plan cities and six provincial capitals. It has also established branch schools in 311 cities and correspondence stations in 2081 counties. As of 1998, the CACS enrolled a total of 820 000 students, 640 000 of whom graduated with a Specialized Secondary School Diploma. In recent years, the CACS has promoted the use of modern education technology and multimedia IT by developing a series of teaching software. Currently the CACS is actively piloting on-line delivery.

Educational Software

The education software market in China is still in its infancy. Chinese educational institutions are primarily using out-dated hardware and software, much of which are ill-suited for classroom instruction. The Ministry of Education is attempting to develop more modern computer-based teaching aids for classroom use, but lack of resources and technical expertise continue to plague its efforts.

The most common forms of educational software for private consumption are ESL training and examination preparation software. Due to intense competition for limited

university enrolment, parents are turning to educational software to give their children a competitive advantage at all levels. Much of this software could benefit from enhanced graphic user interfaces.

In addition, there are numerous educational Web sites offering supplementary material to the middle school curriculum. One such website integrates educational material with "pop culture" entertainment news, using pop stars to draw a mainly teenage audience. Most Web sites suffer from rudimentary graphical user interfaces

Unfortunately, rampant copyright infringement in China has hindered the development in this market as companies are reluctant to invest in product development. Some estimates suggest a piracy rate as high as 96% for software in general, resulting in an annual loss of $14.7 billion. Some industry insiders suggest that one has a window of only three months within which to recover the development costs of an educational software product before software pirates take over. It roughly takes about three months for pirates to determine whether a particular software product is successful enough to warrant copying.

Given this situation, companies use a variety of innovative marketing techniques to generate quick revenue (e.g. packaging similar products together and selling for a premium, city-wide marketing blitzes, guaranteeing success on college entrance examinations with money-back offers, and selling directly to established institutions, where control of distribution is easier).

On-line Education

The Chinese government plans to implement measures to strengthen the management of the country's education Web sites and on-line schools and regulate on-line teaching activities. China now has more than 100 education Web sites and on-line schools.

Thirty Chinese colleges and universities have recently received permission from the MOE to start on-line classes. The MOE will spend $7 million to train on-line teachers and support the creation of college-level on-line teaching materials. The MOE will also offer Internet training classes for college instructors.

Six universities are currently running trial on-line education programs including Qinghua University, Beijing Post and Telecommunications University, Zhejiang University and China Central Broadcasting and Television University.

<u>China Education and Research Computer Network</u>

The China Education and Research Computer Network (CERNET), the MOE's campus network, is an Internet site (http://www.edu.cn) extending to over 700 universities and research institutes in 70 cities and is used by some three million people across China.

The construction of CERNET has been a driving force for the development of information infrastructure and research in China, creating regional Internet-based networks.

Key Factors Shaping Market Growth

Key factors that are shaping the educational sector in China are:

- Rapid economic growth over the past two decades has generated an enormous demand for skilled professionals, particularly in the growing knowledge-based economy;

- Greater government emphasis on education has resulted in increases in education funding as well as deregulation and the commericalization of education programs;

- The one child population policy has meant that parents and grandparents have more resources to spend on their only child's education;

- The transformations occurring in the Chinese economy have dismantled the "iron rice bowl"[9]. As state-owned enterprises are forced to compete in a market economy, some are closing, others are rationalizing operations, and many are laying off workers. This has resulted in a whole-scale change in the social security system in China. No longer are all Chinese guaranteed employment, accommodation, minimum healthcare coverage, pensions, etc. As a result, parents are increasingly concerned about their future and are looking to their only child to provide financial security. To achieve that financial security, a solid education is essential. Parents, and often extended family members, are willing to spend what is necessary to ensure their child receives a good education. Quite literally, the future of the parents depends on it;

- The rapid growth in technology is changing the way education is delivered, as well as changing the content of what is taught;

- Government emphasis on the development of the western regions of China has created opportunities for foreign co-operation in China's more remote and underdeveloped areas; and

[9] "Iron rice bowl" refers to the guaranteed social security net provided to all Chinese by their work units. This net guaranteed employment, accommodation, medical care and old age security benefits.

- The one child policy may be causing under-enrolment in some regions' primary schools. The long-term consequences of this situation require closer, more in-depth study.

Opportunities

Educational Services

The Chinese educational system does not supply enough skilled workers, neither in quantity nor in quality, for the new economy. The system suffers from a shortage of funding, resulting in the continued use of outdated teaching methodologies and technology.

Despite the reforms implemented over the past two decades, the demand for higher education will far outweigh the domestic supply. The need for greater capacity at this level is sizeable — China's public universities only have enough space for 10% of secondary school graduates.

As a reflection of this demand, some commentators have suggested that the Chinese business community needs to recruit approximately 300 000 MBA graduates in order to prepare for global competition once China enters the World Trade Organization (WTO). However, Chinese institutions can only produce 10 000 MBA graduates per year. This shortfall provides an excellent opportunity for Canadian education providers.

Moreover, market-oriented curriculums are required to produce graduates with skills in business management, commerce, marketing, finance and critical thinking. Chinese institutions are looking for foreign partners to provide the updated curriculum and teaching methodologies necessary to prepare students for the competitive environment of the market economy.

Given China's enormous educational needs, there are emerging opportunities for education and training services on a selective basis in Mainland China. There are six general categories of opportunities: Sino-foreign joint-venture schools in China; corporate and group training; ESL; distance education/Internet/IT; academic linkages; and teacher training.

Sino-foreign Joint-venture Schools in China

Sino-Canadian joint venture (JV) schools have been multiplying in recent years in China. A number of Canadian institutions, especially at the college level, have been successful in establishing schools with local Chinese school partners in China. These schools typically teach ESL to ensure adequate language proficiency, use a Canadian-based curriculum adapted to the Chinese market, focus on vocational training, use

foreign teachers (at least in the early stages) and offer a Canadian diploma or certificate.

They have been successful for several reasons:

- For Chinese students, the cost of a Canadian-style education is more affordable and accessible. For Canadian education providers, the pool of potential students is much broader;
- Chinese students are attracted to a Canadian degree or diploma because it confers status, is widely recognized around the globe and provides them with greater employment prospects;
- The schools provide a recruitment pool of potential students for their Canadian operations;
- They focus on vocational skills that are in high demand in China, such as computer technology, telecommunications, business administration, business English, accounting, marketing, tourism and hospitality; and
- Most JV schools provide some form of training to local Chinese teachers. This increases the pool of qualified local teachers, leads to reduced teaching costs (in the long term), and ensures an adequate supply of faculty to meet the demands of a growing student population.

Joint venture models vary greatly. However, some general characteristics are:

- Affiliation with a foreign university: the student studies for two years in China followed by two years at an affiliated university in Canada or elsewhere (e.g. Asia, United Kingdom, United States). Many programs also offer the option of completing the course of study in China if overseas study is not possible;
- Modular education: the program is broken up into modules, where the student can choose to complete their course of study, receive a diploma and enter the workforce (after two years, for example) or continue to obtain a more advanced diploma;
- Partnerships with Chinese Universities: these JVs offer updated Chinese university curricula taught either by Canadian or Canadian-trained teachers; and
- With Chinese education evolving rapidly, some schools are already working on projects to operate and open wholly owned foreign schools in the near future. The reputation and long-term commitment of schools in China appeared to be key factors in these new emerging developments.

There are several challenges involved in opening and operating a joint venture school in China:

- Finding a suitable local partner;
- Lack of transparency in local laws, regulations and approval procedures;
- Integrating Canadian and Chinese curriculum;
- Recognition of diplomas and certificates issued by JV schools by Chinese governmental bodies;
- Staffing teaching positions with qualified Canadian teachers; and
- Repartition of excess revenue, as convertibility from *remnibi* to hard currency can be a problematic for non-for-profit educational institutions.

Corporate and Group Training

The demand for short term training programs targeted towards small groups with specific needs has been growing steadily in China. Training can be delivered in China or in Canada. Programs can be of a generic nature or specifically tailored to the needs of the client.

Canadian educations institutions have had some success at providing group training programs to Chinese government departments (i.e. Chinese National Auditors Office, Ministry of Foreign Trade and Economic Cooperation), while others have targeted foreign joint ventures.

There are proactive and responsive methods of marketing these services. Some organizations, such as the Canadian Education Centre (CEC), actively attempt to identify specific Chinese organizations with training needs and relay this information back to their members in Canada, who then have an opportunity to submit a training proposal.

Canadian organizations can also advertise in the "Training Services In China" Directory, the only compilation of training services providers operating in China (http://www.uichina.com). The Directory is up-dated annually.

English as a Second Language

By far, English has become the most popular second language in China. The demand is expected to continue to grow in the coming years as parents of Chinese students

consider English as a passport to wealth.[10] As students are required to write the TOEFL[11] (or an equivalent) exam to be accepted by most foreign universities, the market for preparing students for such exams is considerable. In addition, business English is a stable of any JV school offering business courses and is, in many cases, a prerequisite to substantive business course taught later in the program.

However, the competition is very strong, from Chinese as well as foreign entities. Opportunities are still to be found throughout China, particularly for programs situated locally. The expense of studying in Canada and the low student visa acceptance rate for student studying ESL make local programs particularly attractive.

Distance Education/Internet/Multimedia

The Chinese government's strategy to make education more accessible to students in remote and underdeveloped areas through radio, television and the Internet creates numerous opportunities for Canadian companies. A number of Chinese companies, some with the assistance of Canadian JV partners, have launched or will launch shortly educational Web sites. The main problem of many of these educational sites is the lack of well-designed, interactive, substantive content. The sites are often mere empty shells, with more promises than substance.

A significant opportunity exists for Canadian institutions to capitalize on the demand for creative, interactive and user-friendly content that is adapted to the Chinese market. Due to the rampant copyright infringement, business strategies must be carefully designed to maximum sales in the short term (before privacy becomes an issue).

At present, the Canadian International Development Association (CIDA) is in discussions with the MOE on a new basic education project through the means of distance education. This planned project is expected to be released for open bidding in late 2000.

Academic Linkages

CIDA, through its programs, is the primary contact for academic linkages between Canadian and Chinese educational institutions.

The University Partnerships in Co-operation and Development Program, funded by CIDA's Canadian Partnership Branch and administered by the Association of

[10] In China, there is a popular saying among youth that to be successful in the 21st century, one must possess three skills: English, computers, and a driver's licence.

[11] Test of English as a Foreign Language (TOEFL). Equivalent exams include: International English Language Test (IELTS) or Michigan testing (MELAB)

Universities and Colleges of Canada (AUCC), and the Canadian College Partnership Program, funded by the same CIDA branch but administered by the Association of Canadian Community Colleges (ACCC), should be of interest to Canadian universities and colleges. Competitions are held on an annual basis for the two programs. More information on these 2 programs can be obtained by contacting the above associations (see contact section).

Teaching in China

Specific Chinese government programs and general public demand have resulted in an increase in the need for foreign teachers in China. The State Administration for Foreign Experts Affairs (SAFEA) has expressed an interest in employing a large number of teachers from Canada, particularly, those with qualifications and experience.
The greatest demand is for teachers of ESL, economics, marketing, business, applied sciences, metallurgy, and environmental protection.

SAFEA has already partnered with several different overseas organizations, including a retired teachers association in the United States. However, the current supply is not meeting the demand, prompting the SAFEA to expand its partnership activities.

SAFEA wishes to place these teachers in junior and senior middle schools, colleges, and universities across China. The remuneration offered is determined by level of teaching experience. Monthly wages range from RMB2000 (approximately $370) to RMB6000 (approximately $1100). In addition to salary, teachers would be provided with room and board, transportation to and from the school, medical insurance, and travel expenses to and from China.

SAFEA has indicated that it would like to engage 1000 or more teachers from Canada per annum (a challenging objective indeed). This demand creates opportunities for Canadian educational institutions seeking to develop Teacher Training Programs or cooperative placements for students or recent graduates; school boards seeking to develop overseas sabbatical placements; young teachers looking for their first teaching experience; and semi-retired teachers seeking overseas adventure.

Actual and Planned Projects

Distance Education

The Chinese MOE has earmarked $63.1 million for a program to promote distance education in the western region. The program will focus on expanding the existing CERNET and make it accessible to schools and colleges, especially for students of ethnic minorities. The specifics of this program have been detailed in two government reports, the *Action Plan for Rejuvenating Education Toward the 21st Century*, and *Modern Distance Education Program*.

Some of the initiatives are as follows:

- Developing better distance education facilities, including television and data receiving stations in 2000 county vocational and secondary schools and in 5000 township farmers' cultural and technical schools;

- Connecting 500 key secondary vocational schools to the CERNET in the next two to three years. Multimedia information and networking technologies in the teaching and learning process will also be introduced and actively used in 2000 secondary vocational schools;

- Developing vocational education software to create 50 on-line courses in association with the Vocational Education Curriculum Reform and Teaching Material Development Project in the next two to three years;

- Establishing a network of 50 teacher-training centres via distance learning to enhance the quality of vocational school teachers;

- Providing 80% of primary, secondary and other schools with facilities and the capacity to directly receive broadcast educational programs within two to three years. Approximately five regional resource centres are slated to be opened at the provincial level;

- Creating 8000 resource centres to receive educational television programming and data information, provide Internet access for vocational schools, primary and secondary schools, and provide boarding schools for minority students.

- Establishing 100 distance learning centres in counties located in remote areas and poor regions;

- Introducing foreign teaching materials and technology to jointly develop distance educational materials; and

- Enlisting foreign experts to provide technical guidance to develop the distance education software and network management systems. Chinese technical and managerial personnel will be sent abroad to receive further training.

On-line Education

The MOE has authorized 31 universities to issue diplomas for a pilot program for Internet-based universities. The universities may conduct their own recruiting, design curriculums and choose their own teaching methods. The diplomas and undergraduate degrees earned by students will be the equivalent of those issued by the MOE.

Teacher Training

In February 2000, the MOE launched a project aimed at reforming training, courses of study and teaching methods in higher education. The project aims to create a series of courses, textbooks and software to train teachers and ensure that their teaching methods meet the demands of the changing economy. The project's ultimate goal is to establish a teaching system that encourages the spirit of innovation among college students within the next five years. Funds for this project were secured from World Bank loans.

As with other governmental initiatives in China, it is often difficult to obtain precise information on how Canadian organizations can take advantage of these opportunities. As there are often several implementing agencies through China, there is no systematic mechanism for identifying specific opportunities. The best way to keep abreast of these opportunities is to ensure that trade officers at Canadian missions in China are aware of your interests and areas of expertise.

COMPETITIVE ENVIRONMENT

Local Capabilities

China's educational strengths are in the following areas:

- a core group of top universities with outstanding and dedicated faculty and students

Unfortunately, Chinese academic excellence is concentrated in this core group - the vast majority of institutions outside of this elite circle struggle to remain mediocre.

- a solid infrastructure for distance education - major players are China Education and Research Computer Network (CERNET), China Telecom, China Net, Golden Bridge Finance, and Chinese Science and Technology Network.

In terms of educational software, most local competition is situated in the developed coastal regions: Guangzhou, Shanghai, Beijing, Changchun, Dalian, Hangzhou, Tianjin, Jinan, Wuhan, and Shenyang.

Some of the main software companies active in the China market are:

- Clever Software Group Corporation (Clever) is China's largest producer of educational software. Clever has launched an on-line education project with different foreign partners, including a Canadian company. Their main strength is in developing CD-ROM based products;

- MinMetals, a large and well financed state corporation, with a diversified product mix including multimedia software for kindergarten to grade 12;
- Tshingua Tang Fang, a manufacturer of electronic devices, software, DVD, and other electronic products;
- Tom.Com, a Hong Kong based internet company, who has declared its intention to become world's largest education portal;
- Legend, one of the two largest hardware producers in China, recently purchased more than 50% of the New Oriental School of Beijing, the most successful ESL school in China, and is collaborate with it to develop an on-line product;[12]
- Great Wall, the other largest hardware producer in China.

As most Chinese software enterprises are relatively small, under-financed, under-managed and lacking in product variety, it is estimated that many will not survive in the mid-term.

International Competition

Educational Software and Multimedia

The United States is China's leading foreign provider of educational technologies such as multimedia and software. Companies such as ESS Technology inc., class.com, University Access, UNEXT, and learningUSA.com are major providers of on-line education and interactive education technologies. Other important companies in the e-commerce market in China include IBM (which has a US$20 million investment to help establish a software developing platform in Xi'an), CISCO Systems, Lucent Technologies, and Hewlet Packard.

Other active countries are Australia, Germany, France, New Zealand, the United Kingdom and Japan.

Joint Ventures

Canada's primary international competitors in this area are the United States, Australia, the United Kingdon, New Zealand, as well as France and Germany to a lesser extent.

[12] New Oriental School hires foreign teachers and prepare students for the TOEFL exam require to study abroad. They have trained more than 50 000 people in Beijing in recent years and have a very renowned brand name and a proven value, two very important factors for success in China.

Corporate and Group Training

As of 1999, there were 150 foreign training companies operating in Beijing and Shanghai alone. Many other companies operate from Hong Kong, Taiwan, and the United States. The most requested courses offered by these companies include ISO 9000, leadership, management and basic English courses. They also provide training in such varied subject areas as accounting, communications, change management, cross-cultural management, project management and team building.

International Education

In 1999, the top international destinations for Chinese studying abroad were (in order of visas issued): the United States (19 000), the United Kingdom (8 000), Canada (3 800), Australia (n/a), New Zealand (2 000), Japan, Germany and France.

Canadian Position

Canada's educational systems and training programs have gained international respect and admiration. New energy and innovation are now helping to leverage our highly developed information technology sector as a key tool to support and deliver education projects at home and internationally. In this context, the increasing focus in China and Hong Kong on strengthening the education infrastructure and enhancing training delivery represents significant opportunities for Canada.

A recent survey conducted by the Department of Foreign Affairs and International Trade (DFAIT) has determined that Canadian companies and institutions have a strong foothold in China's education market, across a wide range of economic sectors. Canadian institutions and companies are leveraging both Canada's solid reputation in education and its broad-based commercial networks in the market to nurture new initiatives in training, conducting seminars, teaching, and selling educational software. Transportation, environment, construction and the petroleum industry are among the sectors where Canadian exports are leading the way for sales of educational products and service in China.

In 1999, more than 115 000 Chinese students attended classes or courses offered by Canadian Institutions, companies etcetera. The economic activity generated in this area is significant - as total project values attributed to the delivery of Canadian education technologies in China amounted to some $33.7 billion.[13] Canadian Colleges, providers of software, and universities are the most significant Canadian providers of education services and products in China.

[13] The project sums can be attributed for a period of more than one year.

Competitive Advantage through Canadian Government Policies and Initiatives

Canadian International Development Agency

CIDA is the federal agency responsible for administering Canadian official development assistance to China, with human resources development being one of the overarching priorities. In the past three decades, CIDA, through its bilateral and partnership programs, has funded hundreds of education linkages across the country. These linkages have helped open doors to China, build a reputation for many Canadian universities and colleges in China, and contribute to China's internalization effort.

Canadian Education Centre Network

The Canadian Education Centre (CEC) Network, established by the Canadian government and the Asia Pacific Foundation, promotes and markets Canada as a destination for international students, as well as a source of international corporate and group training, and, recently, distance education. There are 19 CEC offices around the globe, including offices in Hong Kong and Beijing.

The role of the CECN offices in China include:

- promoting greater knowledge of Canada as an training destination and the Canadian education system in China;
- establishing Canada as the preferred destination or the preferred source for corporate and group training by undertaking outreach activities with the Chinese government, state corporations, educational and training institutions as well as the private business sector including multinational firms;
- working with Canadian universities, colleges and other educational and training institutions as well as private-sector firms to help them build partnerships and win corporate and group training contracts in China;
- providing clients (both in Canada and in China) with comprehensive, high quality counselling and up-to-date information and materials on education and training available in both countries;
- identifying and developing educational and training opportunities by liaising with educational and training institutions in Canada and China and with Canadian government representatives; and
- counselling Chinese students intending on studying in Canada.

Export Development Corporation

Export Development Corporation (EDC) is Canada's official export credit agency offering export financing and insurance to Canadian exporters. Since 1986, EDC has been helping Canadian exporters large and small do over $5 billion worth of business in China. Financing is traditionally offered case by case through lines of credit established through approved Chinese banks. Export financing may also be considered via direct buyer loans to qualifying, creditworthy companies having Chinese government authority to borrow funds abroad. EDC export and investment insurance programs provide exporters with protection against a variety of risk, commercial and political. Performance security and contract bonding programs help exporters free up their working capital lines while dealing with bonding requirements during the execution of commercial contracts.

Program for Export Market Development

The Program for Export Market Development (PEMD) helps Canadian companies enter new markets by sharing the costs of activities that companies normally could not or would not undertake alone, thereby reducing risks involved in entering a foreign market. Eligible costs and activities include market visits, trade fairs, incoming buyers, product testing for market certification, legal fees for international marketing agreements, transportation costs of offshore company trainees, product demonstration costs, promotional materials, and other costs necessary to execute a market development plan. Activity costs are shared on a pre-approved, 50/50 basis.

The PEMD refundable contribution ranges from $5,000 to a maximum of $50,000. Preference is given to companies with fewer than 100 employees for a firm in the manufacturing sector and 50 in the service industry, or with annual sales between $250,000 and $10 million. Other components of the program include international bid preparation (Capital Project Bidding) and, for trade associations, developing international marketing activities for their membership. For additional information visit http://www.infoexport.gc.ca/pemd-e.asp or call 1-888-811-1119.

WIN Exports

WIN Exports, a database of Canadian exporters and their capabilities, is used by trade commissioners around the world and by Team Canada Inc partners in Canada to match Canadian suppliers with foreign business leads, and to share information on trade events. To register your company in WIN Exports or for more information, visit http://www.infoexport.gc.ca/winexports/menu-e.asp or call 1-888-811-1119.

PRIVATE-SECTOR CUSTOMERS

Private consumers of education and training services can be divided into three categories.

Regular Students

Despite relatively modest per-capita income levels in China (less than US$1000 per annum), the Chinese place a great importance on education. Due to factors identified early, Chinese parents place great emphasis on the education of their children and are willing to both save for and invest in their children's education. A recent survey has revealed that one third of the money saved by Chinese residents is planned to invest in education. In addition, because of a perception that foreign-invested educational institutions in China provide a better quality education, Chinese parents are willing to pay the premium for their children to attend reputable foreign-run schools.

Adult Students

Due to significant restructuring in the state-owned enterprise sector, a considerable number of Chinese workers have either lost their jobs or face the real prospect of losing their jobs in the near future. As a result, many adults are returning to school to retrain and upgrade skills, particularly in business administration, computer technology and ESL. There is great potential for adult education programs targeted at this transitional segment of society.

A number of rural workers in the cities are investing money on evening classes and books with the hope to return to the countryside to start their own business. As a result, training courses focussing on small business management have potential.

Privately Held Corporations

Many privately held corporations, including foreign-invested companies, are constantly seeking to both attract qualified employees and upgrade the skills of their employees. Due to the general lack of qualified professionals, many corporations are unable to find skilled workers to adequately staff available positions and will often develop extensive in-house training programs to enhance skills of existing employees. This represents a considerable market for corporate trainers.

PUBLIC-SECTOR CUSTOMERS

Educational Software

The MOE began to establish a network of Education Technology Centres (also called Distance Education Centres) at the central, provincial, prefecture and county level. These centres are responsible for promoting the application of modern educational technology in schools of various levels. These centres, along with subsidiaries of the MOE, are also involved in developing educational software directed at students and teachers alike, for sale internally and on the commercial market.

Educational Services

The various levels of the Chinese government are by far the largest potential customers for education services. There are many Chinese educational institutions seeking foreign JV partners to establish co-operatively run schools.

Following reforms in higher education institutions, funding and administrative responsibilities have been decentralized from the central government and spread to provincial governments and to the institutions themselves. This means that it is more important than ever to cultivate relationships with officials at the regional level.

A good source of potential contacts are the local Education Commissions at the city (Beijing, Shanghai, Guangzhou, Chongqing) or provincial level. These organizations know the players and needs in the local markets. They are also the first step in the regulatory approval process and, if they are supportive, they can greatly facilitate approvals.

The one major exception to decentralization has been the regulation of distance and Internet education. The central MOE is still the best source of information on opportunities in this field.

Tasks of the Central Educational Resources Centre include collecting information resources of education of various types and at all levels, storing audio-visual teaching materials, multimedia software and other materials of various descriptions, providing consultation about modern distance education and download services of data and materials at high-speed. The Central Education Resources Centre is setting up information banks comprising the resources banks for primary and secondary teacher training, basic education, secondary vocational education, and higher education.

Government Procurement Regulations

The State Planning Commission publishes information on the purchasing and bidding of goods and services paid by loans from international financial institutions (IFI) and

foreign governments. The Commission publishes changes in state laws and policies for purchasing and bidding. For more information, contact the China Public Procurement and Bidding Web site at http://www.chinabidding.gov.cn/indexe.html.

The Ministry of Education's Foreign Loans Office administers loans and funding from IFI sources in relation to education projects. Over the past 16 years, the World Bank has granted the Ministry of Education loans amounting to US $1.4 billion, a little less than US $100 million annually.[14]

The MOE and WB determine on an annual basis the type of projects eligible to receive funding. Once the WB has approval MOE project draft, the MOE and WB conclude a loan agreement. The MOE then notifies educational institutions in the targeted area, inviting applications for the loan funding. The MOE decides which educational institution will obtain funding. Normally, the procedure takes about one year.

To date, Canadian involvement in such projects has been limited. To find out more about the opportunities that exist, contact one of Canada's missions in China.

MARKET LOGISTICS

Channels of Distribution

Agents and Sales Representatives

Recruiting Students

As a result of new regulations issued in 1999 to protect students from unscrupulous agents, the Chinese government has restricted recruitment of students to designated agents and Chinese institutions registered with the MOE. Chinese students complained about agents charging exorbitant fees and providing misleading information. There were also problems with agents providing fraudulent documents, including bank statements and academic records. There have been reports of students unable to reclaim their money from agents that either went out of business or never existed.

Consequently, foreign institutions cannot directly recruit students in China. Canadian institutions should be extremely careful about handing out application forms or issuing any letter of acceptance while in China. One-on-one meetings with parents or potential students and attendance at education fairs should be done in the context of providing information and not as student recruitment. For more information on registered recruitment agents approved by the Chinese, please contact the Canadian Embassy.

[14] Source: Foreign Loan Office, Ministry of Education.

Educational Software

Foreign companies are legally required to use a domestic agent for both importation into China and marketing in China. Due to China's size and regional peculiarities, exporters are advised to consider hiring several agents to cover different areas throughout the country. Many companies still find it efficient to use Hong Kong or Taiwan agents to facilitate their marketing and exports to China.

The underdeveloped software industry, caused in part by widespread software privacy, makes it difficult to identify the right distribution channels. Regulatory constraints and obscure government procedures and policies make it difficult for foreign companies to obtain licences for domestic distribution services.

Market-entry Considerations

China should not be considered as a homogeneous market, but rather several regional sub-markets. What is needed in one location is not necessarily desired in another, and conditions and requirements vary from one part of the country to another. The education system in China is highly fragmented due to the size and diversity of its population. Since the conditions and requirements vary from one part of the country to another, China should be viewed as a number of large markets with unique market characteristics and opportunities.

The Department of Foreign Affairs and International Trade in conjunction with Canadian missions in China have published a series of regional market reports focusing on specific regions. For more information about a specific region, consult these reports, which can be downloaded from http://www.infoexport.gc.ca or http://www.dfait-maeci.gc.ca/china.

Suggested Business Practices

Success in the Chinese market requires a long-term commitment and in some cases, physical presence in order to establish credibility and trust with potential Chinese partners or clients. Informal instruments such as Letters of Intent or Agreement and Memoranda of Understanding are frequently used to strengthen pre-contractual undertakings. While these instruments lack contractual enforcement, they are seen very clearly as a sign of one's commitment and play a crucial role in relationship building. Products and services must reflect the social, political, economic and cultural requirements of the local environment.

China's Accession to the World Trade Organization

China has made a number of trade-related commitments to World Trade Organization (WTO) members that are expected to take effect when China accedes to the

organization. China will be bound by fundamental WTO principles that will require the country to strengthen commercial legal procedures and improve transparency. In turn, China's WTO commitments should therefore help to reduce the risk of doing business in China and encourage increased trade and investment flows. However, most commitments will be phased in over time.

China negotiated a number of tariff rate concessions in its bilateral WTO agreements with member countries. The most favourable concession for any item will apply to all member countries once China joins the WTO. On November 26, 1999, Canada and China concluded a bilateral agreement providing for improved market access for a range of goods and services.

Import Regulations - Software

Imported software is subject to customs duties, which average between 20-30% depending on the type of software. In addition to the tariff, a 17% value-added tax is also imposed. According to Chinese Customs regulations, the dutiable value of an imported good is its cost, insurance and freight (CIF). In practice, Chinese customs valuation remains non-transparent and arbitrary. The most comprehensive guide to Chinese Customs regulation is *The Practical Handbook on Import & Export Tax of the Customs of the PRC,* compiled by the General Customs Administration. This guide contains the tariff schedule and national customs rules and regulations and is available from:

Xing Sheng Zhong Hai Fa Xing Zhong Xing Company
6 JianNei DaJie, Dong Cheng Qu
Beijing, 100730, China
Tel.: (86-10) 6519-5923
Fax: (86-10) 6519-5616

Intellectual Property Protection

As China seeks entry into the WTO, it is required to take steps to ensure that its intellectual property laws conform to the *Agreement on Trade-Related Aspects of Intellectual Property Rights, including Trade in Counterfeit Goods (TRIPs).* TRIPs establishes new minimum standards for the protection of intellectual property (IP) rights. China is currently examining its laws in an attempt to ensure compliance with TRIPs.

In the context of educational products and services, Canadian companies should be aware of three main areas of concern in terms of protection of intellectual property rights.

Computer Software Protection

Regulations on Computer Software Protection, enacted in 1991, protect copyright in computer software. Registration is a prerequisite for requesting the administrative authority to adjudicate a dispute relating to copyright in computer software. The term of protection is only 25 years from the date of first publication but may be extended once for another 25 years.

Despite the Chinese IP rights laws, the software piracy rate in China is estimated to be as high as 96%. Moreover, the cost of investigating infringements in China is higher than in most markets due to the complexity and size of the country and high demand for investigation service. Companies should take aggressive, definitive steps to safeguard their computer software applications before finalizing any transaction involving software.

Copyright

The *Copyright Law* protects literary, artistic and scientific works of Chinese citizens as well as foreign nationals. If the work of a foreign national is first published in China, it is protected under the *Copyright Law*. If it is first published outside China, it is protected in China to the extent of any international treaty entered between China and the foreign country. The term for copyright protection is the author's life plus 50 years.

Copyright protection extends to educational print materials, such as text books, reference material and course curriculum. However, as with software, copyright infringement of print materials is widespread and enforcement measures are both ineffective and expensive.

Trademarks

Trademark protection is necessary to protect the reputation and goodwill that has been developed in a trade name or logo. More often than not, the market success of an educational service or product is based on the reputation of the supplier. Accordingly, it is essential for educational institutions to vigilantly protect against the misuse of their trade names. Although trademark infringement in the educational context has not been as problematic as with other products, there is always the potential for "confusing" trade names.

Protection of trade names is provided under the *Trademark Law* and the *Anti-unfair Competition Law*. However, these laws have been criticized by Chinese and foreign IP specialists as being too ambiguous and failing to provide clear guidelines for determining liability.

Local Standards, Certificates or Registrations

Sino-Foreign Joint Ventures

The regulation governing the establishment of joint ventures is the *Interim Provisions for Chinese-Foreign Cooperation in the Running of Schools.*[15] Notably, the *Interim Provisions* state that joint ventures "...shall not seek profits as the objective..." of the partnership.

One must apply for approval to the local education commission (i.e. Provincial or Municipal Education Commission) or the ministry responsible for overseeing the Chinese joint venture partner. In the case of higher education programs, approval must also be obtained from the Ministry of Education.

Once a letter of approval is obtained, one must register with the local education authorities and obtain an operating permit.

The *Interim Provisions* set out the necessary documents required in order to apply and register. However, as these requirements are somewhat vague and open to interpretation, Canadian organizations would be well advised to work closely with local authorities to ensure any specific or additional requirements are identified in advance.

Degrees, Diploma, and Certificates

The granting of academic degrees in China is governed by the *Regulations on Academic Degrees (1981).* The Academic Degrees Committee of the State Council has responsibility over the degree-granting process. However, it is the State Council itself that approves the institutions that are entitled to grant degrees and for which disciplines they are so entitled. This adds to the complexity of establishing a new academic degree program with a Chinese partner.

The establishment of diploma and certificate programs is more straightforward. The approval to grant diplomas or certificates is obtained from the same body that approves the joint venture institution (see above).

Recruitment Agents

A copy of the registration procedures for recruitment agencies can be obtained from the Chinese Ministry of Education or the one of Canada's missions in China.

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15 Revisions to the interim provisions are expected by the end of 2000.

Educational Software

Regulatory constraints and obscure government procedures and policies make it difficult for foreign companies to obtain certification for certain software products or to receive licences for domestic distribution services. Foreign software products entering the Chinese market must meet the standards set by various Chinese government agencies, depending on the nature of the software. Moreover, all imported software must meet the standards of the Chinese Platform Standards Committee and the China National Information Security Testing Evaluation and Certification Centre. The roles of these organizations overlaps with those under the ministries of Information Industries and Public Security, and other local authorities, such as in Shanghai, which have established certification centres of their own — contradicting or duplicating national efforts. Further information on importing software products can be obtained by contacting one of the Canadian missions in China.

Export Credit Risks, Restrictions on Letters of Credit, Currency Controls

Chinese agents and distributors are generally well-versed in the use of letters of credit and other common export financing mechanisms. Foreign companies doing business in China have also found that both public- and private-sector customers are usually diligent with issuing payment on time and according to the specifications of the agreement. Short-term credits (30-90 days) are commonly provided.

All commercial transactions involving foreign exchange payments in China must be approved by the State Administration of Exchange Control.

PROMOTIONAL EVENTS

Event/Description	Organizer
China International Education Exhibition (Eduexpo) (see web site for dates) Shanghai Library 25 Nan Jing Xi Lu Shanghai, china	East Beisanhuan Road Chaoyang District Beijing 100028 China Tel.: (86-10) 8460-2136 Fax: (86-10) 6466-3204 E-mail: wangxiang@chinaeduexpo.com Internet: http://www.chinaeduexpo.com
International Long-Distance Education & Audio-Visual Education Multimedia Technology Equipment and Software Fair Beijing International Conference Centre November 9-11, 2000 Beijing, China The fair displays technology such as multimedia and software and equipment related to education. There will also be a seminar on distance education.	Ministry of Education Audio-Visual Office and China International Enterprise Co-operation Co. Beijing, China Tel.: (886-2) 725-1111 Fax: (886-2) 725-1314
Canadian Education Centre Fairs October 2001 (tentative) Guangzhou, Shanghai, Beijing (proposed)	Canadian Education Centre The Canadian Embassy 19 Dongzhimenwai Dajie Chao Yang District Beijing 10C60 China Tel.: (86-10) 6532-3536 ext. 3439 Fax: (86-10) 6532-5903 Internet: http://www.studyincanada.com

KEY CONTACTS AND SUPPORT SERVICES

Canadian Government Contacts

Canadian Commercial Corporation (CCC)
50 O'Connor St., Suite 1100
Ottawa, ON K1A 0S6
Tel.: 1-800-748-8191 or (613) 996-0034
Fax: (613) 995-2121
Internet: http://www.ccc.ca
E-mail: info@ccc.ca

Canadian Embassy and Consulates
Canadian Embassy – Beijing
19 Dongzhimenwai Dajie
Chaoyang District
Beijing 100600 China
Tel.: (86-10) 6532-3536
Fax: (86-10) 6532-4072
Internet: http://www.canada.org.cn
Contact: Kevin Thompson, Education
E-mail: kevin.thompson@dfait-maeci.gc.ca

Canadian Consulate – Chongqing
Suite 1705, Metropolitan Tower
Wu Yi Lu, Yu Zhong District
Chongqing 400010 China
Tel.: (86-23) 6373-8007
Fax: (86-23) 6373-8026
Contact: Peter Liao, Commercial Officer
E-mail: cdncon@public.cta.cq.cn

Consulate General of Canada – Guangzhou
Suite 801, China Hotel Office Tower
Liu Hua Lu
Guangzhou 510015 China
Tel.: (86-20) 8666-0569
Fax: (86-20) 8667-2401
E-mail: gzconcan@public.guangzhou.gd.cn

Consulate General of Canada – Hong Kong
13 Floor, Tower One
Exchange Square
8 Connaught Place
G.P.O. Box 11142
Central, Hong Kong
Tel.: (852) 2847-7414
Fax: (852) 2847-7441
Internet: http://www.canada.org.hk

Consulate General of Canada – Shanghai
Tower 4, Suite 604
Shanghai Centre
1376 Nanjing Xi Lu
Shanghai 200040 China
Tel.: (86-21) 6279-8400
Fax: (86-21) 6279-8401
E-mail: shngi@dfait-maeci.gc.ca

Canadian Intellectual Property Office (CIPO)
Industry Canada
Place du Portage 1
50 Victoria St., 2nd Floor
Hull, QC K1A 0C9
Fax: (819) 953-7620
E-mail: cipo.contact@ic.gc.ca

Canadian International Development Agency (CIDA)
200 Promenade du Portage
Hull, QC K1A 0G4
Internet: http://www.acdi-cida.gc.ca

Business Co-operation Branch, Bureau for Asia
Tel.: (819) 997-7901
Fax: (819) 953-5024

Contracting Management Division
Tel.: (819) 997-7778
Fax: (819) 994-5395

Industrial Co-operation Program
Tel.: (819) 953-5444
Fax: (819) 953-5024
E-mail: info@acdi-cida.gc.ca

Department of Foreign Affairs and International Trade (DFAIT)
125 Sussex Dr.
Ottawa, ON K1A 0G2
Internet: http://www.dfait-maeci.gc.ca

China and Mongolia Division (PCM)
Tel.: (613) 944-1652
Fax: (613) 943-1068
Contact: Mary Lou Doyle
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Export Development Corporation (EDC)
151 O'Connor St.
Ottawa, ON K1A 1K3
Tel.: 1-800-850-9626 or (613) 598-2500
Fax: (613) 598-6697
Internet: http://www.edc.ca

Industry Canada
235 Queen St.
Ottawa, ON K1A 0H5

Canada Business Service Centres
Tel.: 1-888-811-1119
Internet: http://www.cbsc.org

Service Industries and Capital Projects Branch
Tel.: (613) 954-5278
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Contact: Mary-Jo Lynch
Internet: http://strategis.ic.gc.ca

International Development Research Centre
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Canadian Industry Associations

Association of Canadian Community Colleges (ACCC)
200-1223 Michael St. N
Ottawa, ON K1J 7T2
Tel.: (513) 746-2222
Fax: (613) 746-6721
Internet: http://www.accc.ca

Association of Universities and Colleges of Canada
350 Albert St., Suite 600
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Fax: (613) 563-9745
Internet: http://www.aucc.ca

Canada China Business Council
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Canadian Association for Distance Education
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Canadian Association of Private Language Schools (CAPLS)
1016 Scarborough Drive
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Internet: http://www.capls.com

Canadian Bureau for International Education (CBIE)
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515 St. Patrick St.
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Fax: (613) 789-1911
Internet: http://www.chinaembassy-canada.org
>>>all consulates general or???
In Calgary
1011 - 6 Ave. SW, Suite 100
Calgary AB T2P 0W1
Tel.: (403) 264-3322
Fax: (403) 264-6656

In Toronto
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Toronto ON M5R 2P4
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Fax: (416) 324-6468

In Vancouver
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Tel.: (604) 734-7492
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Internet: http://www.ccpit.org

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Fax: (86-10) 6601-3647
Internet: http://www.moe.gov.cn

Ministry of Information Technology and Telecommunications
13 Sichangan Jie
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Fax: (86-10) 6603-4248
Internet: http://www.mii.gov.cn

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Fax: (86-10) 6601-1370

Ministry of Foreign Trade and Economic Co-operation (MOFTEC)
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Internet: http://www.moftec.gov.cn

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APPENDIX A – Business Do's and Don'ts

Do:

- familiarize yourself with China's culture, politics, business and social practices;
- understand that respect — amply seasoned with a knowledge and understanding of the Chinese culture — will be a critical building block in the foundation of a commercial relationship;
- understand the full meaning of *guanxi*, as well as the Chinese philosophy of "friendship first, business second";
- enlist the assistance of the Government of Canada through its various departments, offices, Consulates General and the Canadian Embassy in Beijing;
- take advantage of Government-supported trade initiatives, e.g. Team Canada visits;
- become familiar with Canadian public policies and public- and private-sector initiatives designed to provide a competitive advantage to Canadian companies;
- be aware, if your company is an SME, that market access will likely occur more quickly if you are part of a consortium;
- note the advantages inherent in offering attractive financing options;
- become familiar with the advantages/disadvantages afforded by joint ventures with Chinese companies. Wholly owned foreign companies, technology transfer arrangements, trading companies and establishment of local sales offices are also options that require examination;
- recognize the value of early and frequent visits to project sites to meet key contacts and maintain relationships;
- adopt visible marketing and promotion tools — in the appropriate form of Chinese — that inform potential customers of who you are, what you do and how to contact you;
- be aware that thoughtful, targeted marketing can result in your product becoming the "preferred" one;
- note that for most large procurements, pre-qualification of your product will likely be necessary;
- be aware of the increased (spin-off) commercial opportunities that can develop as a result of establishing a presence in China, practising *guanxi*, and expanding your circle of business associates;
- have your agent or advisor research relevant aspects of the opportunity and establish contact with key officials at the project management as well as municipal, provincial and central government levels;
- allow your agent or advisor to advise you on, and facilitate, meetings and subsequent negotiations;

- instruct your agent or advisor to keep you apprized of the trading practices in China of other foreign exporters; and

- recognize that major contracts are often lost over minor misunderstandings. Rely on your agent's or advisor's knowledge and never "infer" or "assume" what terms mean or what type of response is required to a communication.

Do Not:

- visit China on a speculative, unassisted basis;

- compete with low-tech domestic airport equipment manufacturers; and

- assume that corrupt officials control regional markets because new laws are not being policed. New laws are not implemented overnight but the changes *are* being made!

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OTHER REFERENCE MATERIAL

Useful Internet Sites

Canadian Embassy – Beijing. "China-Hong Kong Factbook: Business Protocol in China": **http://www.canada.org.hk/english/index.html** (Note: Follow the "Factbook" link. This site is very thorough and provides ample information for new and experienced participants in the Chinese market.)

———. "Exporting and Investing: SME Survival Guide to the China Market": **http://www.canada.org.hk/english/index.html** (Note: This Web page offers excellent, comprehensive information on several aspects of marketing products and services in China.)

China Economic Information Network: **http://www.cei.gov.cn**

China Economic Times: **http://www.cet.com.cn**

China Online: **http://www.chinaonline.com**

China.com: **http://english.china.com/cdc/en**

Chinese Government Online: **http://www.gov.cn**

Department of Foreign Affairs and International Trade: **http://www.dfait-maeci.gc.ca**

ExportSource: **http://exportsource.gc.ca**

Industry Canada: **http://strategis.ic.gc.ca**

InfoExport: **http://www.infoexport.gc.ca**

Ministry of Foreign Trade and Economic Co-operation (China): **http://www.moftec.gov.cn**

People's Republic of China Embassy in Ottawa: **http://www.chinaembassycanada.org**

State Council Information Office: **http://www.china.org.cn**

State Council Special Economic Zones Office: **http://www.sezo.gov.cn**

Statistics Canada: **http://www.statcan.ca**

Window on China: **http://www.china-window.com**

READER EVALUATION

Please help the Market Research Centre to produce market reports which meet your information needs by completing this evaluation form and returning it by fax (613) 943-1103. Thank you for your valuable input.

1. How did you obtain a copy of this market report?
   - ☐ InfoCentre FaxLink system
   - ☐ InfoCentre help line
   - ☐ Local government office
   - ☐ Government Internet site
   - ☐ Other: _____

2. How would you describe this market report?

	Strongly agree	Agree	No opinion	Disagree	Strongly disagree
Useful	☐	☐	☐	☐	☐
Complete	☐	☐	☐	☐	☐
Well organized	☐	☐	☐	☐	☐
Well written	☐	☐	☐	☐	☐
Ideal length	☐	☐	☐	☐	☐

3. In what form do you prefer to obtain these reports?
   - ☐ Print
   - ☐ Electronic

4. Based on the information in this report, what specific action(s) does your organization plan to take in this market? Check all that apply.
   - ☐ Seek an agent/distributor
   - ☐ Visit the market
   - ☐ Do more research
   - ☐ Other: _____
   - ☐ Contact Canadian trade office abroad
   - ☐ Participate in a trade show abroad
   - ☐ Nothing

5. What other market reports would be of benefit to your organization? Please identify specific products and countries. _____

6. Which of the following categories best describes your organization? Check one only.
   - ☐ Processor/manufacturer
   - ☐ Trading house
   - ☐ Export service provider
   - ☐ Industry/trade association
   - ☐ Government
   - ☐ Student/academia
   - ☐ Consultant
   - ☐ Other: _____

7. What were your organization's total sales last year, in Canadian dollars?
   - ☐ Less than $10 million
   - ☐ More than $50 million
   - ☐ $10 million to $50 million
   - ☐ Not applicable

Additional comments/suggestions for improvement: _____

OPTIONAL — The name of your organization is: _____